

**Testimony of Steve Case
Chairman and CEO, America Online
On AOL Time Warner Merger
United States Senate Commerce Committee
March 2, 2000**

Good morning, Chairman Burns, Senator Hollings and Members of the Committee.

As you know, on January 10, AOL and Time Warner announced our plan to join our two companies - creating the world's first truly global media and communications company for the Internet Century.

We see this merger as an opportunity to increase consumer choice and spur new innovation, to build consumer trust and confidence, and to extend the benefits of the Internet Revolution to every community. We intend to make the most of this opportunity.

In a few short years, the Internet has already begun to transform the way we live our lives --changing the way we communicate with friends, family and even our political leaders, the way we shop and are entertained, the way we strengthen our communities at home and build the world community.

Now, we are on the verge of a second Internet revolution. Technological advances are increasing the range of online content people can enjoy and use -- from cable broadband, satellite, and DSL connections, to a new generation of wireless and handheld devices that make the Internet available anywhere, at any time.

This is also a time of incredible innovation and intense competition. We welcome that and believe that our new Company will be stronger because of it. The Internet never could have become a driving force of the new economy -- and neither AOL nor Time Warner could have gotten where we are today -- without consumer-driven competition.

Change this fast and far-reaching brings with it new opportunities -- but it also brings new responsibilities. So, while we believe that the combination of our companies will allow us to make the most of the changing world, there are a few things we won't change:

First, we will continue to provide consumers with the broadest, most empowering range of choices, fostering the innovation and competition that are the Internet's driving force.

Second, we will continue to work hard to earn their trust and confidence.

Third, we will continue to work to implement open access -- further increasing consumer's choices and enriching their online experience.

Finally, we will continue to broaden the reach and extend the benefits of the Internet - leaving no community behind.

Let me start with our first and most important commitment at AOL Time Warner: empowering consumers and encouraging innovation.

In our business, consumers are the ultimate venture capitalists – they guide our business models and drive our ideas. Consumers have been empowered, and they are exercising their power every day -- seeking out the Internet service that meets their needs and the content that matches their interests: movies, books, stock quotes, even polling data.

One thing the last few years have made crystal clear is that in a rapidly changing, Internet-supercharged economy, companies must constantly innovate and continuously remake themselves if they expect to attract customers.

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istory tells us that the most profound, life-changing ideas come to life when people find valuable new ways to join emerging technology with existing content.

HBO combined the idea of cable television and Hollywood movies – and transformed the way we think about entertainment. CNN took cable into the realm of TV news – and changed the way we learn about the world. In the same way, VCRs transformed the movie industry, and CD technology transformed the music industry.

We hope AOL Time Warner will lead a similar new era of innovation– providing consumers with an ever-expanding range of content across industries, across platforms, across media -- from music to movies to publishing to communications to financial services.

And, let me be very clear: AOL Time Warner will never limit content diversity on any of our systems. If we limit content, if we do not promote a diversity of voices, if we do not maintain scrupulous journalistic standards, then consumers will waste no time migrating to other Internet and media services.

Second, AOL Time Warner will build on the consumer trust and confidence that have made our brands among the most trusted in the business.

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As separate companies, we have made a commitment to consumers -- and we have kept it. As one company, we will continue to make that commitment -- and we will continue to keep it. We will take building consumer confidence and trust to the next level -- working within our industry and with all of you to craft responsive and responsible policies that address consumers' concerns.

Let me clarify what I mean by this. The Internet will never reach its full potential if people don't feel comfortable and secure using it -- nor will they let their children use it.

This Committee and others know this, and I want to thank you for keeping these issues at the top of your agenda. At AOL, we have put in place what we think is the best privacy policy in the industry, built on core principles of notice and choice. The same is true for Time Warner -- a company that is committed to journalistic integrity and consumer trust, both on and offline.

As you know, many companies, including both Time Warner and AOL, supported legislation last year to put in place special protections for children using the Internet so that information about them cannot be gathered without parental consent.

We understand the importance of trust to Internet consumers -- and I would be happy to work with any

of you to determine if other privacy legislation is necessary and when it should be pushed forward. I believe that any legislation that this Committee considers should be looked at only after the FTC has had a chance to do its review of current self regulatory efforts and the FTC's Committee on Access and Security has issued its report. This way, we will have the information we need to engage in a deliberative process among Members of Congress, the industry and consumers -- and that is how we will reach the best result.

Our commitment to build consumer trust and confidence doesn't stop there. We have also provided "Parental Controls" for families and teachers to customize their children's experience in cyberspace. I am proud that nearly 80% of America Online's members with children in the home use Parental Controls today.

One thing is certain - we share the same goal: protecting consumers and their families and establishing a new standard of privacy and security for the digital age, while permitting the Internet to flourish in these changing times.

Third, we will make open access

a reality for consumers - further increasing their choices and enriching their online experience.

Last year, I appeared before this Committee to talk about this issue. I said then -- and I believe just as strongly today -- that the history of the Internet has demonstrated that as long as the infrastructure on which it rests is open, competition and innovation will flourish. I also said that I believed government and industry must work together to ensure a vibrant Internet marketplace.

For the most part, people in government agreed on the goal but wanted it to happen in the marketplace. We are now seeing real movement in the marketplace -- and I'm proud of the role we've played in bringing us to this point. Our push on this issue, along with the calls for action by consumer advocates and government leaders, has led to significant progress in the past year toward consumer choice in cable broadband service. Implementation of open access nationwide is no longer a question of whether, but of when.

As you know, on the day we announced our merger, AOL and Time Warner committed to making its cable network open for competition by multiple ISPs and to provide open access. This week, we took the next important step forward, jointly releasing a Memorandum of Understanding that will form the

framework for delivering AOL and other ISPs over Time Warner cable -- and give consumers greater choice.

We are looking forward to putting that framework into practice as soon as possible. For now, I would like to be very clear about what it means, in simple terms, for consumers.

Broadband consumers will not go through AOL unless they choose AOL. If they choose another Internet Service Provider, they will not see AOL or its front screen. And they will not be blocked from any content they wish to see.

That's meaningful open access. I have believed for a long time that open access and consumer choice among ISPs is the right policy, grounded in the right principles, for consumers and the growth of the Internet. I am also convinced it is the smartest business practice for the cable industry and the future of cable Internet service.

And so we are committed to working together with our industry to ensure that open access is common practice -- and that consumers across the country are the real beneficiaries.

Finally, AOL Time Warner will be committed to ensuring that the benefits and opportunities of the Internet reach every community – leaving no one behind.

The Commerce Department – and this Committee -- recognized early on that there is a widening gap between people who have access to the new technology and know how to use it, and those who do not. This “Digital Divide” threatens to place the promise of information technology beyond the reach of those who stand to benefit from it the most.

Both AOL and Time Warner have already taken significant steps to do our part to close the Digital Divide. I am proud of the role we are playing at AOL to help launch PowerUp, a unique public-private partnership to create a network of community technology centers that teach young people the skills they need – and that give them the guidance they need – to make the most of their potential.

Contrary to common perception, this is not just a problem in the inner city. In fact, rural Americans are much less likely than their urban counterparts to have computers, e-mail, even basics like phone lines. That's why the AOL Foundation, together with the National Center for Small Communities, created the AOL Rural Telecommunications Awards. Last year, we awarded \$10,000 in grants to four winners who are using the interactive medium to revitalize towns of 10,000 people or less.

One of the things I am most looking forward to at AOL Time Warner is joining our resources and sharing our ideas to close the Digital Divide. We take this challenge seriously, not

only as a company, but also as individuals with a shared personal conviction that we must use our leadership to build a better world.

These are the issues we need to address to build a

truly global medium that empowers people and benefits society.

And when I say we, I mean all of us. I don't just mean the Internet and communications industry. I mean consumer groups and community leaders, and I mean government.

The truth is, without the government's leadership and support – on projects like ARPANET and its support through the National Science Foundation -- the Internet would still be a distant dream. And

without your leadership and support in the future, the Internet may never reach its full potential.

We have a once-in-a-lifetime opportunity now to shape this medium while it still young -- and do it the right way.

So, I appreciate the time and effort the Committee is taking to hear about this important merger, and I thank you in advance for the work you will continue to do in the months and years ahead. Together, we will build a medium that improves people's lives – and one we can all be proud of.

Thank you.